



ARMSTRONG

Telephone Company - New York

Initial Five-Year Service Quality Improvement Plan – 47 C.F.R. §54.202(a)

COMPANY submits initial five-year build-out Service Quality Improvement plan pursuant to C.F.R. §54.202(a)(1)(ii) that specifies proposed improvements or upgrades to the COMPANY's network throughout its service area. In addition, COMPANY is providing information that includes an estimate of the population that will be serviced as a result of these improvements. The receipt of USF support, combined with other funding sources will allow COMPANY to continue to meet its broadband obligations within its service area, complete service request within a reasonable amount of time, provide reliable, state-of-the-art, high-quality voice and broadband service, to its rural customers in four exchanges. The projects listed within this plan will be used to improve or upgrade the network over the next five years:

Broadband Upgrades : 2018

Project Description	Area Served/Wire center	Estimated Start Date	Estimated Completion Date	Estimated Population Served	Estimated Capital Costs
				Total	

Broadband Upgrades : 2019

Project Description	Area Served/Wire center	Estimated Start Date	Estimated Completion Date	Estimated Population Served	Estimated Capital Costs
				Total	

P.S.C. No. 2 - Telephone

New York State Telecommunications Association, Inc.

Section 9
Second Revised Page 3
Superseding First Revised Page 3

SPECIAL EQUIPMENT, SERVICES, AND PROGRAMS

A. LIFELINE TELEPHONE SERVICE

1. Lifeline Telephone Service Options

a. Description

1. Lifeline Discounted Service

This service provides a flat rate federal discount of \$9.25, consisting of a \$6.50 reduction of the Federal Subscriber Line Charge and a \$2.75 reduction in the monthly rate for local exchange telephone service for residential customers. Qualified customers may choose any type or grade of local telephone service, including bundled services that are normally offered by the Company. (C)

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1 A. Additional Lifeline Discount

This service provides the discount as outlined in A.1.a.1 above and may provide an additional discount equal to the serving company's increase in residential basic local exchange service, as authorized by the NYS Department of Public Service in Case No. 07-C-0349, released March 4, 2008, whereby the NY Commission authorized certain companies to increase basic local service rates up to \$2.00 per year for 2 years. The discount can be found on Addendum 1 of the individual Company tariff for those companies offering the Additional Lifeline Discount.

Date Issued: May 30, 2012

Date Effective: July 1, 2012

Issued by: Caroline Hill, Director Tariffs

NYSTA, Inc., 20 Corporate Woods Boulevard, Albany, NY 12210

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New York State Telecommunications Association, Inc.

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SPECIAL EQUIPMENT, SERVICES, AND PROGRAMS

A. LIFELINE TELEPHONE SERVICE (cont'd)

2. Regulations

- a. These services are restricted to low income residential customers. To qualify for Lifeline service a customer must certify and provide documentation as income eligible. For a consumer to be eligible under the income requirements, the consumer's household income as defined in § 54.400(f) of the FCC Rules must be at or below 135% of the Federal Poverty Guidelines for a household of that size or a recipient of benefits from any one of the following Entitlement Programs: (C)
(C)
1. Medicaid;
 2. Supplemental Nutrition Assistance Program (SNAP) F/K/A Food stamps;
 3. Supplemental Security Income;
 4. Federal Public Housing Assistance (Section 8);
 5. Low-Income Home Energy Assistance Program (LIHEAP);
 6. National School Lunch Program's free lunch program;
 7. Temporary Assistance for Needy Families/SafetyNet; (C)
 8. Veterans Disability Pension
 9. Veterans Surviving Spouse Pension

*Issued in Compliance with FCC Order in Dockets: WC Docket No. 11-42, WC Docket No. 03-109, CC
Docket No. 96-45, WC Docket No. 12-23*

Date Issued: May 30, 2012
Issued by: Robert R. Puckett, President
NYSTA, Inc., 20 Corporate Woods Boulevard, Albany 12211

Date Effective: July 1, 2012

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New York State Telecommunications Association, Inc.

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SPECIAL EQUIPMENT, SERVICES, AND PROGRAMS

A. LIFELINE TELEPHONE SERVICE (cont'd)

1. Lifeline Telephone Service Options (cont'd)

b. General

Qualified customers may choose to apply the federal Lifeline credit to any of the company's local service offerings, including any local bundled service offering, basic local service, or message rate service. Message rate Lifeline service is available only where central office facilities permit. For connection of new service, service connection charges apply unless the customer qualifies for connection assistance under the Tribal Lands Link Up program.

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Service connection charges do not apply to change existing service from:

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1. Message or flat rate services to Lifeline service.

2. Lifeline service to non-Lifeline services.

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Issued in Compliance with FCC Order in Dockets: WC Docket No. 11-42, WC Docket No. 03-109, CC Docket No. 96-45, WC Docket No. 12-23

Date Issued: March 29, 2012

Date Effective: April 29, 2012

Issued by: Robert R. Puckett, President

NYSTA, Inc., 20 Corporate Woods Boulevard, Albany, NY 12211

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New York State Telecommunications Association, Inc.

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SPECIAL EQUIPMENT, SERVICES, AND PROGRAMS

A. LIFELINE TELEPHONE SERVICE (cont'd)

2. Regulations (cont'd)

b. The Lifeline discount is effective upon receipt of a completed form of eligibility. If the form is not returned, no further action is taken by the Company to establish eligibility.

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c. The Company, in coordination with appropriate agencies and the Lifeline Customer, will require Lifeline customers to be re-certified, on an annual basis. Lifeline customers will need to certify that they continue to be eligible to receive these Lifeline benefits and that they are not receiving benefits from another company. If a customer is identified as being ineligible, the customer will be notified that unless the information is shown to be in error, the Lifeline discount will be discontinued. The customer will be billed for discounts received for the time that they were proven to be ineligible for the service.

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3. Locality Charge Waiver

Customers receiving Lifeline Telephone Service will have applicable locality charges waived each month while they are receiving the Lifeline Assistance.

4. Voluntary Toll Blocking (Restriction)

Customers receiving Lifeline service can voluntarily request and receive toll blocking (call restriction), third number billing/collect call restriction without a monthly charge. There will be no record order charge to add these types of restrictions (blocking).

Issued in Compliance with FCC Order in Dockets: WC Docket No. 11-42, WC Docket No. 03-109, CC Docket No. 96-45, WC Docket No. 12-23

Date Issued: March 29, 2012

Date Effective: April 29, 2012

Issued by: Robert R. Puckett, President

NYSTA, Inc., 20 Corporate Woods Boulevard, Albany, NY 12211

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Armstrong Telephone Company – New York, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Armstrong Telephone Company – New York, Inc. (Company), which comprise the balance sheets as of September 30, 2013 and 2012, and the related statements of operations, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

REPORT OF INDEPENDENT AUDITORS
(continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Armstrong Telephone Company – New York, Inc. as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Spokane, Washington
January 14, 2014

ARMSTRONG TELEPHONE COMPANY - NEW YORK, INC.
BALANCE SHEETS

ASSETS

	September 30,	
	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	\$ 117,241	\$ 1,708,694
Subscriber accounts receivable, net of allowance of \$9,648 in 2013 and \$7,232 in 2012	215,609	223,882
Accounts receivable, affiliates	4,719	5,048
Other accounts receivable, net of allowance of \$274 in 2013 and \$2,084 in 2012	259,192	413,659
Material and supplies	39,337	41,815
Other current assets	163,975	154,399
	<u>800,073</u>	<u>2,547,497</u>
PROPERTY, PLANT, AND EQUIPMENT		
Telecommunications plant in service	11,306,407	13,212,700
Nonregulated plant in service	80,520	80,520
Telecommunications plant under construction	2,143	888
	<u>11,389,070</u>	<u>13,294,108</u>
Less accumulated depreciation	8,780,234	10,233,925
	<u>2,608,836</u>	<u>3,060,183</u>
	<u>\$ 3,408,909</u>	<u>\$ 5,607,680</u>

ARMSTRONG TELEPHONE COMPANY - NEW YORK, INC.
BALANCE SHEETS

LIABILITIES AND STOCKHOLDER'S EQUITY

	September 30,	
	2013	2012
CURRENT LIABILITIES		
Accounts payable	\$ 193,740	\$ 178,287
Advance billing	127,284	134,353
Current maturities of long-term debt	-	2,629,861
Related party note payable	600,000	-
Income tax payable, parent company	35,170	18,144
Other accrued liabilities	161,982	149,311
	<u>1,118,176</u>	<u>3,109,956</u>
OTHER LIABILITIES AND DEFERRED CREDITS		
Deferred income taxes	130,259	233,549
Other deferred credits	66,006	64,555
	<u>196,265</u>	<u>298,104</u>
STOCKHOLDER'S EQUITY		
Common stock (\$50 par value; 10,000 shares authorized, 4,860 shares issued and outstanding)	243,000	243,000
Additional paid-in capital	21,000	21,000
Retained earnings	1,830,468	1,935,620
	<u>2,094,468</u>	<u>2,199,620</u>
	<u><u>\$ 3,408,909</u></u>	<u><u>\$ 5,607,680</u></u>

See accompanying notes.

ARMSTRONG TELEPHONE COMPANY - NEW YORK, INC.
STATEMENTS OF OPERATIONS

	Years Ended September 30,	
	2013	2012
Operating revenues		
Wireline		
Customer	\$ 1,001,303	\$ 937,821
Intercarrier		
Interstate	1,175,718	1,085,446
Intrastate	461,120	650,753
Universal service support - federal	1,006,246	1,171,326
	<u>3,644,387</u>	<u>3,845,346</u>
Internet	<u>565,077</u>	<u>752,432</u>
Miscellaneous		
Equipment	27,564	31,514
Carrier billing and collection	14,826	15,261
Other	4,500	21,016
Directory	26,022	29,080
Uncollectible	(16,123)	(7,460)
	<u>56,789</u>	<u>89,411</u>
Total operating revenues	<u>4,266,253</u>	<u>4,687,189</u>
Operating expenses		
Plant specific operations	1,073,776	1,064,830
Plant nonspecific operations	494,188	480,432
Depreciation	534,165	721,798
Customer operations	432,617	437,571
Corporate operations	1,117,681	1,101,347
Other operating taxes	267,819	310,350
Nonregulated	432,133	295,528
	<u>4,352,379</u>	<u>4,411,856</u>
Net operating income (loss)	<u>(86,126)</u>	<u>275,333</u>
Nonoperating income (expense)		
Interest and dividend income	537	1,871
Interest expense	(71,332)	(135,073)
Other nonoperating income (expense)	749	(498)
	<u>(70,046)</u>	<u>(133,700)</u>
Income (loss) before income taxes	<u>(156,172)</u>	<u>141,633</u>
Income tax benefit (expense)	<u>51,020</u>	<u>(52,394)</u>
Net income (loss)	<u>\$ (105,152)</u>	<u>\$ 89,239</u>

ARMSTRONG TELEPHONE COMPANY - NEW YORK, INC.
STATEMENTS OF CASH FLOWS

	Years Ended September 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (105,152)	\$ 89,239
Adjustments to reconcile net income (loss) to net cash from operating activities		
Depreciation	534,165	721,798
Deferred income taxes	(103,290)	(140,733)
Change in assets and liabilities		
Receivables	163,069	(138,305)
Material and supplies	2,478	1,373
Other assets	(9,576)	5,358
Accounts and taxes payable	32,479	(30,715)
Other deferred credits	1,451	1,623
Advance billing	(7,069)	5,272
Accrued liabilities	12,671	4,905
Net cash from operating activities	<u>521,226</u>	<u>519,815</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net acquisition of property, plant, and equipment	(90,770)	(44,072)
Proceeds from sale of property, plant, and equipment	<u>7,952</u>	<u>970</u>
Net cash from investing activities	<u>(82,818)</u>	<u>(43,102)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to settle debt	(2,679,861)	(126,726)
Proceeds from intercompany note payable	<u>650,000</u>	<u>-</u>
Net cash from financing activities	<u>(2,029,861)</u>	<u>(126,726)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(1,591,453)</u>	<u>349,987</u>
CASH AND CASH EQUIVALENTS at beginning of year	<u>1,708,694</u>	<u>1,358,707</u>
CASH AND CASH EQUIVALENTS at end of year	<u><u>\$ 117,241</u></u>	<u><u>\$ 1,708,694</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the year for		
Interest	<u>\$ 73,493</u>	<u>\$ 136,088</u>
Income taxes	<u>\$ 35,300</u>	<u>\$ 204,400</u>